



Iowa Wellness Plan 1115 Waiver Budget Neutrality Documentation Demonstration Years 1 through 6

State of Iowa

Department of Human Services

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EXECUTIVE SUMMARY

Milliman, Inc. (Milliman) has been retained by the State of Iowa, Department of Human Services, to provide support in the submission of the Iowa Wellness Plan 1115 waiver renewal (number 11-W-00289/5). The waiver renewal period covers demonstration years (DY) four through six, or calendar year 2017 through calendar year 2019. This report provides budget neutrality information for the Iowa Dental Wellness Plan (IDWP) required for the waiver renewal.

Table 1 illustrates the estimated DY 4 through DY 6 IDWP enrolled member months, per member per month (PMPM) cost per enrollee, and total expenditures.

Table 1 State of Iowa, Department of Human Services Iowa Dental Wellness Plan Budget Neutrality			
Wellness Plan	DY 4	DY 5	DY 6
Member Months	1,693,544	1,727,415	1,761,963
Dental PMPM	\$ 28.34	\$ 29.67	\$ 31.06
Dental Expenditures	\$ 47,995,037	\$ 51,252,403	\$ 54,726,571

Pending approval from CMS, the PMPM values illustrated in Table 1 will be the IDWP budget neutrality limit. The state and its vendors will be required to manage the costs of the IDWP program to be less than the budget limit on a PMPM basis over the full renewal period. The state is not at risk for the number of enrollees in the demonstration. The special terms and conditions (STCs) provided by CMS outline the full contract terms.

Certain assumptions used in the development of the budget neutrality estimates in this report are subject to change. We may update this report when the following items are finalized:

- We used a trend of 4.7% to estimate the July through December 2016 with waiver PMPM costs and the DY 4 through DY 6 without waiver PMPM costs. Our understanding is 4.7% was the president's budget trend provided by CMS for the initial Iowa Wellness Plan 1115 waiver submission. We anticipate updating this trend estimate when we receive the current president's budget trend from CMS.
- The state fiscal year (SFY) 2016 IDWP capitation rate of \$25.86 is still being discussed by the state and their vendor. To the extent the final SFY 2016 IDWP capitation rate is not \$25.86, we will modify this report.
- The with waiver DY 3 member months and PMPM costs were used as the baseline for estimating the DY 4 through DY 6 member months and PMPM costs. DY 3 is not complete at this time. If the actual DY 3 member months and PMPM costs materially differ from the estimates included in this report, then the DY 4 through DY 6 estimates may need to be modified.

Additionally, please note that the illustrated member months throughout this report reflect the estimated number of dental capitation payments rather than actual Wellness Plan enrollment. Using the estimated capitation payments as an enrollment base allows the cost per enrollee amount to reflect the cost of individuals actually receiving dental services.

Appendix A illustrates the estimated member months, dental PMPM cost, and total dental expenditures for the wellness population with the approval of the 1115 waiver for DY 1 through DY 6. This appendix corresponds to the “Demonstration With Waiver (WW) Budget Projection” tab of the CMS 1115 Waiver Budget Neutrality workbook.

Appendix B illustrates the estimated member months, dental PMPM cost, and total dental expenditures for the wellness population without the 1115 waiver for DY 1 through DY 6. This appendix corresponds to the “Demonstration Without Waiver (WOW) Budget Projection” tab of the CMS 1115 Waiver Budget Neutrality workbook.

Appendix C illustrates the estimated savings of the Wellness Plan 1115 waiver by comparing the PMPM and expenditure amounts in Appendix A and Appendix B.

METHODOLOGY

This section of the report outlines methodology used in estimating the DY 1 through 6 with and without waiver enrollment, PMPM cost, and total expenditures.

Enrollment

The first step of developing 1115 waiver budget neutrality projections is to identify the population included in the waiver. Individuals enrolled in the Wellness Plan may have periods of eligibility without a corresponding IDWP capitation payment because of retroactive enrollment or reinstatement periods where the dental premium was not paid. We utilized a methodology for illustrating enrollment that reflects the estimated capitation payments rather than the actual Wellness Plan enrollment. Using the estimated capitation payments as an enrollment base allows the cost per enrollee amount to reflect the cost of individuals actually receiving dental services. Our understanding is this methodology is consistent with budget neutrality calculations for other Iowa 1115 waivers.

We calculated DY 1 and DY 2 Wellness Plan enrollment by dividing the expenditures illustrated in Schedule C to the CMS-64 by the currently paid IDWP capitated rate of \$22.66. Our understanding is the expenditures illustrated in Schedule C are on an incurred basis and do not contain any expenditures outside of the capitation payments paid to the IDWP vendor.

The DY 3 enrollment was estimated by trending the number of December 2015 IDWP capitation payments through CY 2016 using an annualized trend rate of 2%. Both IDWP capitation payments for Wellness Plan and Marketplace Choice Plan individuals were included in the December 2015 baseline. Although Marketplace Choice Plan individuals were not included in the wellness population for DY 1 or DY 2, our understanding is that all individuals enrolled in the Marketplace Choice Plan are included in the Wellness Plan effective January 1, 2016.

DY 4 through DY 6 enrollment was estimated by increasing the DY03 enrollment by 2% per year. We utilized a 2% enrollment trend based on an expectation that enrollment growth will slow as the program matures. The state is not at risk for the number of enrollees in the demonstration.

Cost per Enrollee and Total Expenditures

With Waiver

The cost per enrollee values for the with waiver scenario in DY 1 through DY 3 were developed using the May 2014 to June 2015 capitated rate of \$22.66, the draft SFY 2016 capitated rate of \$25.86, and a rate of \$27.08 for the remainder of DY 3 (July through December 2016). We increased the SFY 2016 capitation rates of \$25.86 by 4.7% (the president's budget trend in the initial waiver filing) to develop the July through December 2016 capitation rate of \$27.08. The SFY per enrollee costs were converted to a DY (or CY) basis using estimated enrollment in the Wellness Plan.

Additionally, the state provided the DY 1 through Q3 DY 2 supplemental FQHC / RHC payment expenditures. We added these historical expenditures to the cost per enrollee amounts, and we estimated the DY 2 Q4 wrap expenditures to be the average of DY2 Q1 through Q3 payments on a PMPM basis. DY 3 wrap payment expenditures were estimated to be the same as DY 2 expenditures on a PMPM basis.

If the final SFY 2016 capitation rate agreed upon between DHS and their vendor is not the draft rate of \$25.86, then the budget neutrality workbook will need to be modified. Additionally, we will modify the trended values to the extent CMS provides a president's budget trend different than 4.7%.

The cost per enrollee “with waiver” values for DY 4 through DY 6 were developed by applying a 3.0% trend to the DY 3 with waiver cost per enrollee amount. The reduction in trend reflects expected savings to be achieved through the waiver program. The trended with waiver values will be replaced with actual experience in the budget neutrality workbook as it emerges.

Total expenditure amounts are developed using the estimated cost per enrollee and enrollment.

Without Waiver

The cost per enrollee information from the initial Iowa Wellness Plan 1115 waiver STCs was utilized for the “without waiver” scenario in DY 1 to DY 3. These amounts were agreed upon by CMS and the state and cannot be changed without a waiver amendment.

The cost per enrollee values for DY 4 to DY 6 were developed by applying a 4.7% trend to the DY 3 with waiver cost per enrollee amount. Recent CMS guidance states that the without waiver cost per enrollee should be rebased using actual expenditures from the prior waiver period.

We utilized a 4.7% without waiver trend assumption, which is consistent with the initial Wellness Plan 1115 waiver submission. Our understanding is the 4.7% trend was based on the president’s budget trend at the time of the initial submission. Our expectation is that we will utilize the current president’s budget trend for the Wellness Plan 1115 renewal when it is provided by CMS.

Total expenditure amounts are developed using the estimated cost per enrollee and enrollment.

LIMITATIONS AND DATA RELIANCE

The services provided for this project were performed under the contract between Milliman and State of Iowa dated July 17, 2014 and amended January 26, 2015.

The information contained in this report has been prepared for DHS and their consultants and advisors. It is our understanding that the information contained in this report may be utilized in a public document. To the extent that the information contained in this report is provided to third parties, it should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for DHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this report must rely upon their own experts in drawing conclusions about the results presented in this report. Any user of the values and information contained herein should have access to the entire report.

The 1115 waiver budget neutrality estimates are based on a projection of future events. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The author of this report is a member of the American Academy of Actuaries and meets the qualification standards for performing the analyses in this report.

We relied upon certain information provided by DHS. This includes the IDWP capitation payment data, Schedule C to the CMS-64, the STCs for the initial Wellness Plan 1115 waiver filing. We have relied upon DHS for the accuracy of the information provided. Although the data were reviewed for reasonableness, we have accepted the data without audit. To the extent the data provided to Milliman was incomplete or was otherwise inaccurate, the information presented in this report will need to be modified.

APPENDIX A: DEMONSTRATION WITH WAIVER BUDGET PROJECTION

Iowa DHS
Iowa Wellness Plan
1115 Waiver Budget Neutrality Estimates

DEMONSTRATION WITH WAIVER (WW) BUDGET PROJECTION

ELIGIBILITY GROUP	TREND RATE	DEMONSTRATION YEARS (DY)			TOTAL DY 01 - DY 03	TREND RATE	DEMONSTRATION YEARS (DY)			TOTAL DY 04 - DY 06
		DY 01	DY 02	DY 03			DY 04	DY 05	DY 06	
Iowa Wellness Plan										
Member Months	2.0%	782,649	1,496,670	1,660,337	3,939,656	2.0%	1,693,544	1,727,415	1,761,963	5,182,922
PMPM	4.7%	\$ 23.13	\$ 24.92	\$ 27.07	\$ 25.47	3.0%	\$ 27.88	\$ 28.72	\$ 29.58	\$ 28.74
Expenditures	N/A	\$ 18,102,671	\$ 37,297,016	\$ 44,945,323	\$ 100,345,010	N/A	\$ 47,216,007	\$ 49,611,359	\$ 52,118,866	\$ 148,946,231

APPENDIX B: DEMONSTRATION WITHOUT WAIVER BUDGET PROJECTION

Iowa DHS
Iowa Wellness Plan
1115 Waiver Budget Neutrality Estimates

DEMONSTRATION WITHOUT WAIVER (WOW) BUDGET PROJECTION

ELIGIBILITY GROUP	TREND RATE	DEMONSTRATION YEARS (DY)			TOTAL DY 01 - DY 03	TREND RATE	DEMONSTRATION YEARS (DY)			TOTAL DY 04 - DY 06
		DY 01	DY 02	DY 03			DY 04	DY 05	DY 06	
Iowa Wellness Plan										
Member Months	2.0%	782,649	1,496,670	1,660,337	3,939,656	2.0%	1,693,544	1,727,415	1,761,963	5,182,922
PMPM	4.7%	\$ 24.71	\$ 25.87	\$ 27.09	\$ 26.15	4.7%	\$ 28.34	\$ 29.67	\$ 31.06	\$ 29.71
Expenditures	N/A	\$ 19,339,257	\$ 38,718,853	\$ 44,978,529	\$ 103,036,639	N/A	\$ 47,995,037	\$ 51,252,403	\$ 54,726,571	\$ 153,974,011

APPENDIX C: ESTIMATED DEMONSTRATION SAVINGS

Iowa DHS
Iowa Wellness Plan
1115 Waiver Budget Neutrality Estimates

	Without Waiver							
Wellness Plan	DY 01	DY 02	DY 03	DY 01-03	DY 04	DY 05	DY 06	DY 04-06
Member Months	782,649	1,496,670	1,660,337	3,939,656	1,693,544	1,727,415	1,761,963	5,182,922
Dental PMPM	\$ 24.71	\$ 25.87	\$ 27.09	\$ 26.15	\$ 28.34	\$ 29.67	\$ 31.06	\$ 29.71
Dental Expenditures	\$ 19,339,257	\$ 38,718,853	\$ 44,978,529	\$ 103,036,639	\$ 47,995,037	\$ 51,252,403	\$ 54,726,571	\$ 153,974,011
	With Waiver							
Member Months	782,649	1,496,670	1,660,337	3,939,656	1,693,544	1,727,415	1,761,963	5,182,922
Dental PMPM	\$ 23.13	\$ 24.92	\$ 27.07	\$ 25.47	\$ 27.88	\$ 28.72	\$ 29.58	\$ 28.74
Dental Expenditures	\$ 18,102,671	\$ 37,297,016	\$ 44,945,323	\$ 100,345,010	\$ 47,216,007	\$ 49,611,359	\$ 52,118,866	\$ 148,946,231
	Estimated Waiver Savings / (Cost)							
Dental PMPM	\$ 1.58	\$ 0.95	\$ 0.02	\$ 0.68	\$ 0.46	\$ 0.95	\$ 1.48	\$ 0.97
Dental Expenditures	\$ 1,236,585	\$ 1,421,837	\$ 33,207	\$ 2,691,629	\$ 779,030	\$ 1,641,044	\$ 2,607,705	\$ 5,027,780